

Little Hoover Commission  
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October 25, 2016

Re: Special Districts and consolidation  
Lompico County Water District and San Lorenzo Valley Water District

Commissioners,

California Special Districts Association testified before this commission in August, with an overview of special districts in California. CSDA provided testimony about a successful consolidation of a very small Lompico County Water District (LCWD, 500 services), into a larger neighboring San Lorenzo Valley Water District (SLVWD, 7300 services), both in Santa Cruz County, California.

As described in the above testimony, LCWD was facing challenges, such as being named one of 17 small water systems in California in danger of running out of water, and merger seemed the best option. There was initial resistance from both communities: Lompico in giving up autonomy and local representation, and SLVWD customers in taking on what they perceived as a liability, both financially and in water consumption.

Following nearly six years of community work and involvement by citizens, board members, and assistance from the County and State, the consolidation was completed when Lompico voters in 2016 approved a ten year assessment, almost \$600 a year, to fund capital improvements, as required by the larger district.

The actual LAFCo reorganization consisted of dissolution of LCWD, and expansion of SLVWD boundaries, which became effective June 2, 2016.

As community members who worked hard for the merger, one involved in the Citizens Advisory Committee for LCWD, and the other as a two term board member and four year president of the board, we are pleased with the success of completing this consolidation. It was an action that was necessary for the protection of a reliable water supply in Lompico.

For purposes of this Commission's review on areas of improvement in encouraging district consolidations, we offer these observations, based our experience working towards consolidation and five months after.

**Problems identified:**

- **Imbalance of power** As in our case, a larger district resistant to taking on a smaller district has the advantage of setting all the terms and conditions, with little negotiation.
- **No enforcement of terms after the merger; misinterpretation of the LAFCo agreement.** In our case, the general manager and board of the larger district were replaced by a new manager and mostly new board by the time of the transition. There have been changes, and information and intent has been lost. With the dissolution of LCWD, there is only

one district to make all decisions and interpret the agreement. These decisions do not always meet the original terms set between the two districts, particularly those that protect the smaller district.

- **Overprotection of existing customers** SLVWD's sense of imposition, fear of extra costs, sharing "our water".
- **Lack of representation** As of June 2, we are SLVWD customers. SLVWD directors will not meet with us outside of board meetings; qualified testimony about the merger terms is dismissed; there is difficulty getting concerns on the agenda and addressed.
- **Created a sub-class of customer** There is separate tracking of day-to-day expenses and a surcharge that sets the Lompico customers apart from regular SLVWD customers.

#### **Areas needing improvement**

- **Initial contact and setting up merger terms** Assistance to small districts with limited resources; third party ombudsman to help with the process, or more power to LAFCo.
- **Third party oversight** Perhaps LAFCo - follow up -satisfaction that terms are being met.
- **Enforcement** of agreements, when one district has dissolved, including both the LAFCo agreement and Assessment terms and conditions.
- **Financial assistance** determine both district needs to equalize negotiations, prevent surcharges and fear of unanticipated "extra" costs when bringing in new customers.

One of the primary conditions making this consolidation difficult was fear that the larger SLVWD water district would not treat Lompico customers fairly or equally. To some extent, this has been the case so far, as SLVWD board and management go through the transition of seeing us as valued customers, rather than a burden. We believe this will work out in time.

This one factor of equalization is likely the stalling point for many small districts considering consolidation. We feel that addressing and resolving this issue may help lead to smoother and more successful mergers of small water districts in the future.

Respectfully,

Debra Loewen

Citizens Advisory Committee, Lompico County Water District, 2012-2015

Lois Henry

Director, Lompico County Water District 2008-2016; President of the Board four years; on merger/liaison committee and in merger task force for five years.